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By: **Senators Jacobs, Colburn, Hooper, and Stone**  
Introduced and read first time: January 27, 2003  
Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Property and Casualty Insurance - Use of Credit History**

3 FOR the purpose of requiring an insurer, with respect to homeowners and motor  
4 vehicle insurance, to obtain certain approval to use credit history to rate a risk  
5 based on certain credit history; prohibiting an insurer, with respect to certain  
6 insurance, from using a certain factor on a certain credit history; requiring a  
7 certain insurer to advise a certain applicant or insured about a certain credit  
8 history; prohibiting an insurer from using certain factors in rating a certain  
9 policy; requiring an insurer to disclose to a certain applicant or insured certain  
10 information about a certain credit history; allowing a certain insurer to provide  
11 an actuarially justified discount in the rate or a surcharge in the rate for a  
12 certain policy; providing for the application of this Act; and generally relating to  
13 the use of credit history in the underwriting or rating of personal lines property  
14 and casualty insurance.

15 BY repealing and reenacting, with amendments,  
16 Article - Insurance  
17 Section 27-501(e-2)  
18 Annotated Code of Maryland  
19 (2002 Replacement Volume and 2002 Supplement)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
21 MARYLAND, That the Laws of Maryland read as follows:

22 **Article - Insurance**

23 27-501.

24 (e-2) (1) In this [subsection] SUBSECTION, "credit history" means any  
25 written, oral, or other communication of any information by a consumer reporting  
26 agency bearing on a consumer's creditworthiness, credit standing, or credit capacity  
27 that is used or expected to be used, or collected in whole or in part, for the purpose of  
28 determining personal lines insurance premiums or eligibility for coverage.

29 (2) With respect to homeowner's insurance, an insurer [may not]:

1 (i) MAY NOT refuse to underwrite, cancel, or refuse to renew a risk  
2 based, in whole or in part, on the credit history of an applicant or insured;

3 (ii) SHALL OBTAIN THE PERMISSION OF AN APPLICANT OR  
4 INSURED TO USE THE CREDIT HISTORY OF AN APPLICANT OR INSURED, SUBJECT TO  
5 PARAGRAPH (4) OF THIS SUBSECTION, TO rate a risk based, in whole or in part, on the  
6 credit history of an applicant or insured in any manner, including:

- 7 1. the provision or removal of a discount;
- 8 2. assigning the insured or applicant to a rating tier; or
- 9 3. placing an insured or applicant with an affiliated  
10 company; [or] AND

11 (iii) MAY NOT require a particular payment plan based, in whole or  
12 in part, on the credit history of the insured or applicant.

13 (3) (i) With respect to private passenger motor vehicle insurance, an  
14 insurer may not:

- 15 1. refuse to underwrite, cancel, refuse to renew, or increase  
16 the renewal premium based, in whole or in part, on the credit history of the insured or  
17 applicant; or
- 18 2. require a particular payment plan based, in whole or in  
19 part, on the credit history of the insured or applicant.

20 (ii) 1. An insurer [may] SHALL OBTAIN THE PERMISSION OF AN  
21 APPLICANT OR INSURED TO USE THE CREDIT HISTORY OF AN APPLICANT OR  
22 INSURED, subject to paragraphs (4) and (5) of this subsection, TO use the credit  
23 history of an applicant OR INSURED to rate a [new] policy of private passenger motor  
24 vehicle insurance.

- 25 2. For purposes of this subsection, rating includes:
  - 26 A. the provision or removal of a discount;
  - 27 B. assigning the applicant to a rating tier; or
  - 28 C. placing an applicant with an affiliated company.

29 (4) With respect to HOMEOWNER'S INSURANCE AND private passenger  
30 motor vehicle insurance, an insurer that rates a [new] policy based, in whole or in  
31 part, on the credit history of the applicant OR INSURED:

32 (i) may not use a factor on the credit history of the applicant OR  
33 INSURED that occurred more than 5 years prior to the issuance of the [new] policy;

34 (ii) 1. shall advise an applicant at the time of application that  
35 credit history is used; and

